

## Action Fiche for Egypt

### 1. IDENTIFICATION

Title/Number	Support to the Implementation of the ENP Action Plan Programme and the Association Agreement (SAAP IV)		
Total cost	EU Contribution: €10,000,000		
Aid method / Method of implementation	Project approach – Substantial Decentralised Management		
DAC-code	15040	Sector	Government Administration

### 2. RATIONALE

#### 2.1. Sector context

The European Neighbourhood Policy - ENP Action Plan (AP), signed between the EU and Egypt in 2007, supports Egypt's reform efforts by reinforcing cooperation between the two parties in a number of areas including political, economic, and social development. The implementation of the AP will allow Egypt and the EU to further develop their strategic partnership through a significant degree of economic integration, deepening of political, cultural and social co-operation, aiming at promoting the modernisation of the Egyptian economy and society.

At the national level, Egypt continues to put much focus on social and economic reforms and to improve regulatory and legislative framework, with separation between regulatory and operative functions in the Egyptian administration. In its plan for 2006-2012, the Egyptian government considers the quality of and access to public services at the forefront of its reform agenda. Priorities include transport, energy, health, employment, and education sectors.

At the central level, new laws for civil service and decentralization have been considered in legislative reform agenda, with draft legislations having been developed, though not yet submitted to the Parliament. Some national initiatives were also recently made to upgrade public services through administrative simplification and e-services as well as reforming organizational structures and building the capacities of human resources.

At sector level, recent market-related reforms encompassed the amendment/enactment of some legislation like those with respect to investment and special economic zones, export promotion, intellectual property rights, money laundering and banking, e-signature, customs, antitrust and competition, corporate tax, liberalisation of the energy market, anti-dumping and consumer protection.

Meanwhile, weaknesses in the Egyptian administration are a major obstacle to implement reform initiatives and to align the country's legislative and regulatory

framework with international standards. In particular, national resources and technical capacity to achieve a greater pace of reform are limited against the background of embedded deficiencies resulting from many years of centralised system.

It is within this context that the European Commission (EC) is launching the Support to the Association Agreement and the Action Plan (SAAP IV). The new programme builds upon and complements, in its objectives and activities, the first three series of SAAPs, aiming at boosting the implementation of the AA and AP, principally through legislation approximation to the EU aquis (where *institutional twinning* is a key instrument for implementation), and developing further the institutional capacity of the Egyptian Government.

## **2.2. Lessons learnt**

The new programme will build on the lessons learnt and experience gained from other EC programmes and particularly from the ongoing programmes "Support to the Association Agreement Programme (SAAP)" and the "Support to the Implementation of the Action Plan and Association Agreement Programmes (SAAP II and III)". Under these programmes there are more than 30 ongoing and pipeline projects. Areas addressed so far include statistics, tourism, postal services, railway safety, water quality, road safety, telecommunications regulation, environment, among others.

Relevant recommendations of the monitoring and evaluation missions on previous envelopes will be taken into consideration. In particular, the implementation of SAAP IV will build on the success of the first three twinning envelopes (e.g. greater awareness of the twinning instrument, increased experience and improved capacity of the Programme Administration Office to implement twinning operations). The programme will also mitigate some weaknesses identified in the implementation of the first wave of launched projects (some overambitious project fiches and relevant assessment of the beneficiary's absorption capacity to engage in twinning arrangements or technical assistance) and prioritization of areas will take into account the value added that the EU and its aquis can offer.

An increased focus will be made on strengthening the capacity of the Programme Administration Office (PAO), particularly, internal monitoring function which so far poses a challenge, the PAO needs to heavily improve its follow-up and reporting functions and better follow up on deliverable benchmarks of twinning projects, it also needs to develop a mechanism for prompt feedback to respond to official requests. Follow-up projects, combined Twinning and Technical Assistance as well as Best practices from other similar twinning programmes in partner countries may be considered for greater sustainability/impact.

## **2.3. Complementary actions**

Legislative and institutional reform is supported by SAAP (€ 25,000,000) and SAAP II (€ 17,000,000) and subsequently SAAP III (€20,000,000) with which the new programme will be directly linked. SAAP IV will be very similar in objectives and expected results and will use the same administrative structure for implementation:

the Programme Administration Office (PAO) affiliated to the Ministry of International Cooperation.

The design of new twinning projects will seek to maximize synergy and complementarity with the relevant future EC Sector Policy Support in various areas (Transport, Water, Education, etc.). As the SAAP envelopes have reached its maturity phase, greater focus will be on follow-up projects, while keeping much focus on strategic prioritisation of twinning/TA areas, selection criteria will be revisited to reflect value added based on the EU acquis, evolving national needs and cooperation priorities between the EU and Egypt.

Coordination with other donors' programmes supporting administrative and sector reform will be ensured. Other instruments (TAIEX and SIGMA) will be utilised in complement to the twinning instrument and technical assistance provided through this programme. Other activities funded by the EU Member States in sectors like Energy, Transport, Education, and Environment will be particularly taken into consideration.

SAAP IV will be also in line with national initiatives and programmes targeted at regulatory and administrative reforms in various sectors.

#### **2.4. Donor coordination**

Cooperation and coordination among EU Member States is carried out in the context of the regular meetings of the EU Development Counsellors in which the European Commission and EU Member States exchange information on their respective current and future programmes and discuss possibilities for increase cooperation and synergies.

Given the cross cutting nature of regulatory and institutional reforms, the Development Partners' Group and its nine thematic sub-groups serves as another mechanism for coordination with donor agencies active in Egypt within particular sectors.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective is to strengthen cooperation between the EU and Egypt as well as contribute to Egypt's reform process in the context of the ENP Action Plan (ENP AP) and the Association Agreement (AA). The purpose of the SAAP IV is to support the Egyptian Government in implementing the EU-Egypt ENP Action Plan and the Association Agreement, which will in turn contribute to the achievement of sustainable reform and strengthened cooperation with the EU. In particular, the project aims to:

- Support the Egyptian public administration in upgrading its legislative and institutional framework through approximation to EU legislation and best practice (acquis communautaire), taking into consideration national reform priorities and implementation needs of the ENP AP and the AA.

- Improve the capacity of governmental administrations and entities involved in the implementation of the ENP AP and the AA.

### **3.2. Expected results and main activities**

The programme will contribute to national efforts towards strengthening the regulatory, monitoring, and operational functions of the public administration, particularly through the utilisation of Institutional Twinning. Technical assistance shall be provided as such to strengthen institutional capacities of the public administration, or be used as preparatory/complementary phase for twinning projects.

SAAP IV will follow a "demand driven" approach, and is therefore designed as a relatively flexible mechanism to respond to inherent and evolving challenges that might arise during the implementation of the AP and AA. Prioritisation of intervention areas (twinning and technical assistance) will be regularly and jointly agreed between the European Commission and the Ministry of International Cooperation.

Twinability of candidate institutions shall be directly dependent upon the potential contribution of the area/sector to the national reform priorities, the expected impact on governance reform, political commitment, absorption capacity of the respective beneficiary institution and relevance to the implementation of the ENP EU – Egypt Joint Action Plan, with a view towards achieving the following results:

- Improved legislative and regulatory context through approximation with EU legislation and regulation in key priority areas;
- Improved institutional capacity of the Egyptian public administration particularly in fields specified in the ENP AP and the Association Agreement;
- Improved conditions necessary for the EU-Egypt economic cooperation and other cooperation areas (e.g. political development and governance, and social development);
- Improved awareness of the ENP Action Plan and the Association Agreement.

### **3.3. Risks and assumptions**

It is assumed that possible changes/reshuffle in the Egyptian administration/leadership would not imply passive ramifications as regards the extent of openness and political commitment to sustain/deepen reforms. National commitment towards implementing the ENP Action Plan and the Association is also assumed. It is also assumed that there is sufficient absorption capacity to carry out twinning operations with beneficiaries as well as from the PAO.

### **3.4. Crosscutting Issues**

The EU-Egypt ENP Action Plan also covers environmental actions which are to be supported by this project subject to an agreement with the Egyptian government.

Further to gender and environment, issues like administrative reform, good governance and human rights will be cross-cutting in the definition, design, and implementation of the activities funded under this project.

### **3.5. Stakeholders**

The direct beneficiaries of the Programme will be different entities of the Egyptian administration playing a crucial role in the Government's reform efforts as well as in the successful implementation of the AP and the AA (not only line Ministries but also Agencies, Administrations, Organisations, etc).

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

The implementation method will be substantial decentralised management through the signature of a financing agreement with Egypt.

The Programme Administration Office (PAO) within the Ministry of International Cooperation will manage the programme, except for framework contracts, audits and evaluations, which are managed by the Commission. In addition, the Commission may conclude and manage contracts relating to visibility, in agreement with the PAO. The management responsibility of the PAO includes procurement and award procedures and payments.

The Commission controls ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts > 50,000 EUR and may apply ex post for procurement contracts ≤ 50,000 EUR. No grant contracts will be awarded under this project.

Through the programme estimates, payments are fully decentralised for the relevant contracts that have been decentralised and for operating costs.

To allow for this level of decentralisation, the Authorising officer has carried out an assessment of the criteria mentioned in article 56 of the Financial regulation: the award procedures will follow the Twinning manual and remain subject to ex-ante control by the Commission; a final audit will be conducted by external experts contracted by the Commission; the publication of beneficiaries is imposed by a provision of the general conditions of the financing agreement. The internal control system and the accounting system have been assessed at the level of the PAO. The control environment offers sufficient guaranties, with a segregation of functions within the role of authorising officer, between the initiation and the verification roles. All payments are subject to double signature. Specific instructions to staff members who would come across serious irregularities or fraud have been given. The accounting system is a mixed accounting system, based on cash accounting, but allowing for some accrual transactions. It is exclusively used for EU project funding and enables the correct use of EU funds to be verified. Financial reporting foreseen for the programme estimates will allow the use of funds to be properly encoded in the Commission information and accounting system.

The conditions for decentralisation comply with the criteria provided for in the applicable Financial Regulation, as indicated in the Appendix hereto attached.

#### **4.2. Procurement and grant award procedures**

Twinning contracts are awarded and implemented in accordance with the applicable twinning manual.

All other contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in *Article 21(7) ENPI*.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question, except for the ceilings for payments that are not applicable.

#### **4.3. Budget and calendar**

The total programme cost is estimated at € 10,000,000, which shall be financed from the general budget of the European Communities, the indicative break-down of the EU contribution will be as follows:

Operational fund (Twinning and Service contracts)	€9,000,000
Technical assistance to the PAO (Financial Advisor)	€110,000
Programme Management (PAO)	€710,000
Audit and Evaluation	€80,000
Visibility	€75,000
Contingency	€25,000
<b>Total</b>	<b>€10,000,000</b>

The operational fund will be used for technical assistance and twinning contracts.

The total amount of imprest individual budgetary commitments must be fixed and communicated before the start of the implementation of the programme.

Adjustments between the amounts committed under specific individual budgetary commitments and imprest individual budgetary commitments can take place only during the “date + 3 years” period.

The programme will indicatively last 72 months starting from the date of signature of the Financing Agreement. This execution period will comprise 2 phases according to the conditions provided for in article 4.1 of the General Conditions:

- (1) Operational implementation phase that starts from the entry into force of the financing agreement and will indicatively have duration of 48 months.
- (2) Closure phase of an indicative duration of 24 months that starts from the expiry date of the operational implementation phase.

#### **4.4. Performance monitoring**

The overall performance will be monitored by the EU Delegation in Cairo. Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. The PAO shall utilise and improve its internal technical and financial, monitoring mechanism.

Independent consultants recruited directly by the Commission will carry out external monitoring following the ROM methodology (Result Oriented Monitoring) on the overall programme as well as separate monitoring of selected projects.

#### **4.5. Evaluation and audit**

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external evaluations, as follows:

- a final evaluation, at the beginning of the closing phase;
- possibly, an ex-post evaluation;
- possibly, evaluation for individual twinning projects

The programme will be subject to an annual external financial and system audit launched by the Commission.

#### **4.6. Communication and visibility**

Activities to improve awareness and exchange of information are envisaged, awareness activities may address the ENP priorities, progress of reform aspects in relation to the programme's intervention areas, progress of the twinning portfolio/technical assistance, and relevant European best practices. [http://ec.europa.eu/europeaid/work/visibility/documents/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf).

Various visibility mechanisms will be utilised such as holding conferences, workshops and roundtables with direct stakeholders, as well as using visibility printed materials and the media.